



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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CITY ATTORNEY SETTLES WITH AIG INSURANCE COMPANY IN DE LA FUENTE CASE *City to Receive \$5.5 Million and Future Defense Costs*

San Diego, CA— After several years of legal wrangling, San Diego City Attorney Michael Aguirre today announced a \$5.5 million settlement to resolve a bad faith case against financial giant American International Group, Inc. (AIG).

AIG was the City's liability insurance carrier in three lawsuits filed by South Bay developer Roque De La Fuente who had won a \$94.5 million jury verdict in 2001 against the City. But a higher court reversed the jury award. Initially, AIG had denied coverage and refused to pay for the City's defense costs.

"For more than four years, the City fought this powerful financial giant every step of the way from forcing them to release documents to obtaining depositions," said City Attorney Aguirre. "I am proud of the City's legal team which included Executive Assistant City Attorney Don McGrath, and outside counsel Kristine Wilkes of Latham & Watkins and Harvey Levine of Levine, Steinberg, Miller and Huver."

In addition to the \$5.5 million that AIG's subsidiary, Insurance Company of the State of Pennsylvania, will pay to the City, the firm has agreed to represent the City in future ongoing defense costs with the developer, pay 80% of outside counsel attorneys' fees, and 100% of court costs.

AIG has also agreed to dismiss with prejudice its declaratory relief claim of no duty to defend the City. The City will assign to AIG its rights to collect any attorneys' fees awards from De La Fuente and his entities. The City will also dismiss with prejudice its claim against AIG of a bad faith failure to defend. Finally, all indemnity issues are reserved until the end of the De La Fuente cases.

"When I took office, the City faced a daunting \$150 million judgment as a result of Mr. De La Fuente's lawsuits," said City Attorney Aguirre. "The City has gone from \$150 million in the red and no coverage, to completely in the black, along with a cash payment and ongoing defense from AIG."

AIG's financial stability was in question as recently as three weeks ago. On September 16, the Federal government agreed to provide an \$85 billion emergency loan to AIG in order to guarantee that the insurer could meet its obligations. In return for the loan, the government received a 79.9 per cent equity stake in AIG.
(more)

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The terms of the AIG settlement were approved by the City Council this morning. The case had been set for a pre-trial conference in December 2008.

To view the City Attorney's news conference, visit www.sandiegocityattorney.org, click Media Center.

The chart below illustrates the legal recoveries in court by the San Diego City Attorney's Office:

**OFFICE OF THE SAN DIEGO CITY ATTORNEY
LEGAL RECOVERIES IN COURT**

PARTY	TOTAL SETTLEMENT	NET TO CITY
City v. Callan Associates Investment Advisor Case No. GIC852419 <u>November 28, 2006</u>	\$ 4,500,000.00	\$ 2,891,313.37
City v. Orrick, Herrington & Sutcliffe Law Firm Case No. CIV242050 <u>July 29, 2008</u>	\$ 2,875,000.00	\$ 1,878,049.64
City v. Caporrici & Larson Accountants Case No. 857632 <u>October 16, 2006</u>	\$ 900,000.00	\$ 595,492.00
City v. Calderon, Jaham & Osborn Accountants Case No. 857632 <u>September 8, 2006</u>	\$ 750,000.00	\$ 496,559.58
City v. Vinson & Elkins Law Firm Case No. 06CC12932 <u>June 17, 2008</u>	\$ 4,350,000.00	\$ 3,183,093.40
*Insurance Company of the State Of Pennsylvania, a subsidiary of AIG v. City Case No. 02CV0693 April 2005 [De la Fuente]	\$ 2,000,000.00	\$ 2,000,000.00
*Insurance Company of the State Of Pennsylvania, a subsidiary of AIG v. City Case No. 02CV0693 October 7, 2008 [De la Fuente]	\$ 5,500,000.00	\$ 4,630,000.00
TOTAL	\$ 20,875,000.00	\$ 15,674,507.99

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